

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***1. GENERAL**

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 38 and 17, respectively.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

Management of the Company has been unable to gain access to the books and records of its subsidiary, 杭州恆運交通開發有限公司 ("HZHY") since July 2005 due to the lack of co-operation from management of HZHY. Previously, the Company received management accounts of HZHY on a monthly basis, the last set of which was for the eleven months ended 28th February, 2005. Details of the above were set out in the announcement to the shareholders of the Company dated 13th July, 2005.

Accordingly, the consolidated income statement of the Company for the current year has incorporated the income statement of HZHY for the eleven months ended 28th February, 2005 and the consolidated balance sheet of the Company as at 31st March, 2005 has incorporated the balance sheet of HZHY as at 28th February, 2005.

For reasons relating to current legal proceedings in respect of HZHY as details set out in note 37(f) to the financial statement, the directors are unable to satisfy themselves that the following amounts for HZHY, based on its unaudited management accounts for the eleven months ended 28th February, 2005, included in these financial statements were free from material misstatement.

– Turnover	HK\$11,154,000
– Cost of sales	HK\$4,136,000
– Other operating income	HK\$366,000
– Administrative expenses	HK\$7,843,000
– Property, plant and equipment	HK\$64,460,000
– Bank balances and cash	HK\$7,217,000
– Trade and other receivables	HK\$4,303,000
– Trade and other payables	HK\$58,545,000
– Minority interests	HK\$10,241,000

Although the directors of the Company have not obtained sufficient information to enable them to determine the results of HZHY for March 2005, the remaining month for the current financial year, they believe that, based on historical information, the results of HZHY for March 2005 were immaterial to the financial statements of the Group as a whole.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS** *(Continued)*

The directors were also unable to satisfy themselves as to the validity and completeness of the amounts attributable to HZHY included in the notes to the financial statements, including but not limited to the disclosure of commitments, pledge of assets and contingent liabilities.

**3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS**

In 2004, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRS”) (herein together collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005, except for HKFRS 3 “Business Combination”. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 “Business Combination” is applicable to business combination for which the agreement date is on or after 1st January, 2005. The Group has entered into agreements for business combination for which the agreement dates were after 1st January, 2005 and has adopted HKFRS 3 for these business combination.

The Group has considered the other new HKFRSs and identified the following new HKFRS may have a material effect on how the results of operations and financial positions are prepared and presented as described below:

**HKFRS 2 “Share-based Payment”**

HKFRS 2 requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of directors’ and employees’ share options of the Company. Currently, the Group does not expense the share options issued by the Company.

The Group intends to take advantage of the transitional provisions set out in HKFRS 2. In relation to share options granted on or before 7th November, 2002 and share options granted after 7th November, 2002 and vested before 1st January, 2005, the Group does not intend to recognise and expense those share options. However, in relation to share options granted after 7th November, 2002 and vested on or after 1st January, 2005, such share options shall be accounted for retrospectively in accordance with HKFRS 2.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS** *(Continued)***HKFRS 2 “Share-based Payment”** *(Continued)*

The Group does not expect that the adoption of HKFRS 2 will have a material effect on the results of operation and financial position of the Group as all the share options granted were vested before 1st January, 2005.

In relation to other new HKFRSs, the Group does not expect that the adoption will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The financial statement have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

**Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

**Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

**Revenue recognition**

Income from properties developed for sale is recognised when the sale agreement is unconditional or when the relevant occupation permit is issued by the relevant authority, whichever is later.

Toll revenue is recognised on a receipt basis.

Sales of investments in securities are recognised on a trade-date basis.

Rental income is recognised on a straight line basis over the term of the relevant lease.

When the renovation services are provided and the outcome of the renovation project can be estimated reliably, renovation service income is recognised on the percentage of completion method measured by reference to the value of work carried out during the year. When the outcome of a renovation project cannot be measured reliably, revenue is recognised only to the extent of the project costs incurred that it is probable will be recoverable.

Sales of building materials are recognised when they are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***4. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at open market values based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged, respectively, to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on this investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation and amortisation and accumulated impairment losses.

Depreciation of toll highway is calculated to write off their costs, commencing from the date of commencement of commercial operation of the toll highway, based on the ratio of actual traffic volume compared to the total expected traffic volume over the remaining period estimated by management or by reference to traffic projection reports prepared by independent traffic consultants.

Depreciation and amortisation are provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Leasehold buildings	2% to 4% or over the term of the lease, if shorter
Leasehold improvements	10% to 15% or over the term of the lease, if shorter
Others	10% to 30%

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Property, plant and equipment** *(Continued)*

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

**Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Inventories***Properties held for sale*

Properties held for sale is stated at the lower of cost and net realisable value. Cost includes the acquisition cost, architect's fees and other direct costs attributable to such properties.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Inventories** *(Continued)**Other inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

**Convertible notes**

Convertible notes are separately disclosed and regarded as liabilities unless conversion actually occurs. The costs incurred in connection with the issue of convertible notes are deferred and amortised on a straight line basis over the lives of convertible notes from the date of issue of the notes to their final redemption date. If any of the notes are purchased and cancelled, redeemed or apply to conversion prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the income statement. If any of the bonds are converted prior to the final redemption date, an appropriate portion of any remaining unamortized costs will be charged to share premium account.

**Operating leases**

Rental income or expenses under operating leases are credited or charged, respectively, to the income statement on a straight line basis over the term of the relevant leases.

**Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***4. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.



**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Renovation contracts**

When the outcome of a renovation contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a renovation contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for renovation work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for renovation work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade and other receivables.

**Retirement benefits scheme**

Payments to the defined contribution retirement benefits schemes are charged as an expenses as they fall due.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 5. TURNOVER

Turnover represents the aggregate of the net amount received and receivable from third parties and is summarized as follows:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Securities trading and investment	<b>63,638</b>	123,187
Renovation services	<b>17,088</b>	13,906
Operation of toll highway	<b>11,153</b>	22,728
Trading of building materials	<b>3,218</b>	3,900
Property development and sales	<b>246</b>	17,675
Property rental	<b>21</b>	2,254
	<b>95,364</b>	183,650

## 6. SEGMENTAL INFORMATION

### Business segments

For management purpose, the Group is currently organised into five major operating divisions – securities trading and investment, trading of building materials and renovation services, property development and sales, operations of toll highway and property rental.

These divisions are the basis on which the Group reports its primary segment information.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 6. SEGMENTAL INFORMATION (Continued)

## Business segments (Continued)

An analysis of the Group's turnover, contribution to operating results and segment assets and liabilities by business segments is presented as follows:

## 2005

	Securities trading and investment HK\$'000	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Operation of toll highway HK\$'000	Property rental HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>INCOME STATEMENT</b>							
<b>FOR THE YEAR ENDED</b>							
<b>31ST MARCH, 2005</b>							
<b>REVENUE</b>							
External sales	63,638	20,306	246	11,153	21	-	95,364
Segment results	(38,025)	(5,671)	8,796	(200,214)	(323)	-	(235,437)
Unallocated other operating income							2,879
Unallocated corporate expenses							(13,822)
Loss from operations							(246,380)
Finance costs							(9,285)
Loss before taxation							(255,665)
Taxation							42,000
Loss before minority interests							(213,665)
Minority interests							92,824
Loss for the year							(120,841)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 6. SEGMENTAL INFORMATION (Continued)

## Business segments (Continued)

2005

	Securities trading and investment HK\$'000	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Operation of toll highway HK\$'000	Property rental HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>BALANCE SHEET</b>							
<b>AT 31ST MARCH, 2005</b>							
<b>ASSETS</b>							
Segment assets	135,342	4,609	54,057	75,980	23,832	-	293,820
Interest in associates	4,427	-	-	-	1,724	-	6,151
Unallocated corporate assets							123,213
Consolidated total assets							423,184
<b>LIABILITIES</b>							
Segment liabilities	15	2,836	14,421	58,545	6	-	75,823
Unallocated corporate liabilities							116,318
Consolidated total liabilities							192,141
<b>OTHER INFORMATION</b>							
<b>FOR THE YEAR ENDED</b>							
<b>31ST MARCH, 2005</b>							
Capital additions	-	70	-	-	-	1,469	1,539
Depreciation and amortisation	26	50	528	4,562	-	879	6,045
Impairment loss recognised in respect of investment in securities	41,000	-	-	-	-	-	41,000
Impairment loss recognised in respect of property, plant and equipment	-	-	-	200,000	-	-	200,000
Net unrealised holding losses on other investments	7,313	-	-	-	-	-	7,313
Write-back of (allowance for) bad and doubtful debts	-	(4,146)	16,707	-	-	(451)	12,110

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 6. SEGMENTAL INFORMATION (Continued)

## Business segments (Continued)

2004

	Securities trading and investment HK\$'000	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Operation of toll highway HK\$'000	Property rental HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004</b>							
<b>REVENUE</b>							
External sales	123,187	17,806	17,675	22,728	2,254	-	183,650
Segment results	(83,678)	(2,666)	(19,655)	(8,675)	1,901	-	(112,773)
Unallocated other operating income							1,907
Amortisation of goodwill arising on acquisition of subsidiaries	-	-	(4,493)	(1,458)	-	-	(5,951)
Impairment loss on goodwill arising on acquisition of subsidiaries	-	-	(16,664)	(12,759)	-	-	(29,423)
Unallocated corporate expenses							(25,062)
Loss from operations							(171,302)
Finance costs							(20,272)
Allowance for amount due from an associate							(2,340)
Gain on disposal of subsidiaries and discharge of liabilities	20,500	-	83,922	-	-	-	104,422
Gain on disposal of an associate	-	-	33	-	-	-	33
Share of results of associates	-	-	-	-	(40)	-	(40)
Loss before taxation							(89,499)
Taxation							3,562
Loss before minority interests							(85,937)
Minority interests							18,732
Loss for the year							(67,205)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 6. SEGMENTAL INFORMATION (Continued)

## Business segments (Continued)

## 2004

	Securities trading and investment HK\$'000	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Operation of toll highway HK\$'000	Property rental HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>BALANCE SHEET</b>							
<b>AT 31ST MARCH, 2004</b>							
<b>ASSETS</b>							
Segment assets	135,231	11,994	105,288	273,753	21,395	-	547,661
Interest in associates	4,427	-	-	-	1,715	-	6,142
Unallocated corporate assets							137,368
Consolidated total assets							691,171
<b>LIABILITIES</b>							
Segment liabilities	15	3,790	20,026	55,858	-	-	79,689
Unallocated corporate liabilities							216,927
Consolidated total liabilities							296,616
<b>OTHER INFORMATION</b>							
<b>FOR THE YEAR ENDED</b>							
<b>31ST MARCH, 2004</b>							
Capital additions	440	51	2,617	11,179	-	54	14,341
Depreciation and amortisation	55	42	4,759	6,289	-	1,779	12,924
Impairment loss recognised in respect of investment in securities	60,655	-	-	-	-	-	60,655
Impairment loss recognised in respect of property, plant and equipment	-	-	2,830	14,000	-	-	16,830
Net unrealised holding losses on other investments	22,972	-	-	-	-	-	22,972

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 6. SEGMENTAL INFORMATION (Continued)

## Geographical segments

All of the Group's operations are principally located in Hong Kong and the People's Republic of China (the "PRC"). The Group's administration is carried out in Hong Kong.

An analysis of the Group's turnover by geographical market, irrespective of the origin of the goods and services, is presented below:

	2005 HK\$'000	2004 HK\$'000
Hong Kong	83,965	143,247
The PRC	11,399	40,403
	<b>95,364</b>	183,650

The following is an analysis of the carrying amount of assets, and capital additions to investment properties and property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of assets		Capital additions to investment properties and property, plant and equipment	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong	265,453	287,284	1,539	545
The PRC	157,731	403,887	–	13,796
	<b>423,184</b>	691,171	<b>1,539</b>	14,341

## 7. OTHER OPERATING EXPENSES

	2005 HK\$'000	2004 HK\$'000
Impairment loss recognised in respect of goodwill	–	29,423
Amortisation of goodwill	–	5,951
	–	35,374

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 8. LOSS FROM OPERATIONS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Staff costs, including directors' remuneration		
– basic salaries and other benefits	7,752	10,994
– retirement benefits scheme contribution	287	240
	<b>8,039</b>	<b>11,234</b>
Auditors' remuneration:		
– current year	1,300	1,317
– underprovision in prior year	–	166
Depreciation and amortisation of property, plant and equipment	6,045	6,973
Loss on disposal of property, plant and equipment	113	138
Net realised losses on other investments	4,270	1,151
Net unrealised holding losses on other investments	–	22,972
Cost of inventories sold	11,510	6,784
and after crediting:		
Dividend income from investment in securities	–	1
Interest income	106	624
Net unrealised holding gain on other investments	7,313	–
Net rental income from investment properties under operating leases, after deduction of outgoings of approximately HK\$1,000 (2004: HK\$82,000)	20	2,172
Revaluation increase on investment properties	2,482	1,450



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 9. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

## (A) Directors' emoluments

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Independent non-executive directors	480	480
Non-executive directors	–	–
	<b>480</b>	480
Other emoluments paid to executive directors		
– basic salaries and other benefits	676	1,489
– retirement benefits scheme contribution	12	24
	<b>688</b>	1,513
Total emoluments	<b>1,168</b>	1,993

The emoluments were within the following bands:

	2005 Number of directors	2004 Number of directors
Up to HK\$1,000,000	6	5
HK\$1,000,001 – HK\$1,500,000	–	1

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 9. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (Continued)

## (B) Highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2004: two) was director of the Company whose emoluments are included in the disclosure in (A) above. The emoluments of the remaining individuals were as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	1,728	2,373
Retirement benefits scheme contribution	40	36
	<b>1,768</b>	<b>2,409</b>

The emoluments of the remaining highest paid individuals were within the following bands:

	2005 Number of employees	2004 Number of employees
Up to HK\$1,000,000	4	2
HK\$1,000,001 – HK\$1,500,000	–	1

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

## 10. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	7,781	16,001
Other borrowings wholly repayable within five years	1,424	4,271
Convertible notes	80	–
	<b>9,285</b>	<b>20,272</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 11. TAXATION

The (credit) charge comprises:

Deferred tax credit (*note 25*):

Current year  
Share of taxation attributable to associates

2005 HK\$'000	2004 HK\$'000
<b>(42,000)</b>	(4,000)
–	438
<b>(42,000)</b>	(3,562)

No provision for Hong Kong Profits Tax has been made in the financial statements as either the Company and its subsidiaries either have no assessable profit for both years or have their profits wholly absorbed by tax losses brought forward.

Pursuant to relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries is entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% tax reduction for the next three years. No provision for PRC income tax has been made for the year as the PRC subsidiaries did not have any assessable profit.

Taxation for the year can be reconciled to the loss per the income statement as follows:

	2005 HK\$'000	2004 HK\$'000
Loss before taxation	<b>(255,665)</b>	(89,499)
Tax at the domestic income tax rate of 17.5%	<b>(44,741)</b>	(15,662)
Tax effect of share of results of associates	–	445
Tax effect of expenses that are not deductible for tax purpose	<b>8,867</b>	19,083
Tax effect of income that are not taxable for tax purpose	<b>(7,583)</b>	(18,536)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(30,020)</b>	(5,118)
Tax effect of deferred tax assets not recognised	<b>31,826</b>	16,769
Utilisation of deferred tax assets previously not recognised	<b>(349)</b>	(369)
Effect of tax exemptions granted to PRC subsidiaries	–	(174)
Taxation for the year	<b>(42,000)</b>	(3,562)

Details of the deferred taxation are set out in note 25.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

**12. LOSS PER SHARE**

The calculation of the basic loss per share is based on the net loss for the year of HK\$120,841,000 (2004: HK\$67,205,000) and on the weighted average number of 241,436,167 (2004: 189,381,042) ordinary shares in issue during the year.

The computation of diluted loss per share for each of the two years ended 31st March, 2004 and 2005 does not assume the exercise of the share options and convertible notes of the Company since their exercise would result in a decrease in loss per share.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31st March, 2004 and 2005 have been retrospectively adjusted for the effect of the capital reorganisation approved by the shareholders of the Company on 6th April, 2005 as detailed in note 37(a).

**13. INVESTMENT PROPERTIES**

	<b>THE GROUP</b>
	<i>HK\$'000</i>
VALUATION	
At 1st April, 2004	20,636
Revaluation increase	<u>2,482</u>
<b>At 31st March, 2005</b>	<b><u>23,118</u></b>

The investment properties were revalued at 31st March, 2005 on market value basis by RHL Appraisal Ltd. as to approximately HK\$13,510,000 and LCH (Asia-Pacific) Surveyor's Limited as to approximately HK\$9,608,000, both of which were independent firms of professional property valuers. The revaluation increase of approximately HK\$2,482,000 has been credited directly to the income statement as a revaluation decrease has previously been charged to the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 13. INVESTMENT PROPERTIES (Continued)

The Group's investment properties comprise:

	2005 HK\$'000	2004 HK\$'000
Properties situated in Hong Kong held under:		
– long leases	10,950	7,750
– medium-term leases	100	100
Properties situated in the PRC held under:		
– long-term land use rights	1,320	1,320
– medium-term land use rights	10,748	11,466
	<b>23,118</b>	20,636

## 14. PROPERTY, PLANT AND EQUIPMENT

	Toll highway HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Motor vehicles and yachts HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
<b>COST</b>							
At 1st April, 2004	288,266	3,245	2,067	2,935	3,978	693	301,184
Additions	-	-	-	-	1,469	70	1,539
Disposals	-	-	-	(288)	(5,222)	-	(5,510)
<b>At 31st March, 2005</b>	<b>288,266</b>	<b>3,245</b>	<b>2,067</b>	<b>2,647</b>	<b>225</b>	<b>763</b>	<b>297,213</b>
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>							
At 1st April, 2004	19,882	2,842	1,085	100	1,375	315	25,599
Provided for the year	4,485	174	449	431	358	148	6,045
Impairment loss recognised for the year	200,000	-	-	-	-	-	200,000
Eliminated on disposals	-	-	-	(288)	(1,602)	-	(1,890)
<b>At 31st March, 2005</b>	<b>224,367</b>	<b>3,016</b>	<b>1,534</b>	<b>243</b>	<b>131</b>	<b>463</b>	<b>229,754</b>
<b>NET BOOK VALUES</b>							
<b>At 31st March, 2005</b>	<b>63,899</b>	<b>229</b>	<b>533</b>	<b>2,404</b>	<b>94</b>	<b>300</b>	<b>67,459</b>
At 31st March, 2004	268,384	403	982	2,835	2,603	378	275,585

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

**14. PROPERTY, PLANT AND EQUIPMENT** (Continued)

The Group's leasehold land and buildings are situated in the PRC held under long term land use rights.

At the balance sheet date, the directors, after considering the economic condition, have reviewed the carrying value of the Group's toll highway with reference to director's valuation made under a discounted cash flow analysis of the projected cash flow to be generated from the toll highway operation at a discount rate of 7% per annum and determined that the recoverable amounts of this asset had declined below its carrying value. Accordingly, the carrying value of this asset was reduced by HK\$200,000,000 (2004: HK\$14,000,000) to reflect this impairment.

At 31st March, 2004, the directors, after considering the economic condition, have reviewed the carrying value of the Group's leasehold land and buildings, based on their net realisable value and determined that the recoverable amount of these assets had declined below their carrying value. Accordingly, the carrying value of these assets was reduced by approximately HK\$2,830,000 to reflect this impairment.

<b>THE COMPANY</b>	<b>Leasehold improvements</b>	<b>Furniture and fixtures</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>COST</b>			
<b>At 1st April, 2004 and at 31st March, 2005</b>	<b>1,402</b>	<b>467</b>	<b>1,869</b>
<b>DEPRECIATION AND AMORTISATION</b>			
At 1st April, 2004	1,018	195	1,213
Provided for the year	384	93	477
<b>At 31st March, 2005</b>	<b>1,402</b>	<b>288</b>	<b>1,690</b>
<b>NET BOOK VALUES</b>			
<b>At 31st March, 2005</b>	<b>–</b>	<b>179</b>	<b>179</b>
At 31st March, 2004	384	272	656

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 15. GOODWILL

THE GROUP  
HK\$'000

## COST

At 1st April, 2004 and at 31st March, 2005 70,611

## AMORTISATION AND IMPAIRMENT LOSSES

At 1st April, 2004 and at 31st March, 2005 70,611

## NET BOOK VALUE

At 31st March, 2004 and at 31st March, 2005 —

## 16. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

## THE COMPANY

	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	—	—
Amounts due from subsidiaries less allowance-non-current	—	183,339
	—	183,339
Amounts due from subsidiaries less allowance-current	<b>126,253</b>	—
Amounts due to subsidiaries-current	<b>3,369</b>	1,318

The Company's cost of investments in the unlisted shares of its directly held subsidiaries is in aggregate less than HK\$1,000.

The amounts due from (to) subsidiaries as at 31st March, 2005 are unsecured, non-interest bearing and repayable on demand.

The amounts due from subsidiaries at 31st March, 2004 were unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current assets as at that date.

Details of the Company's principal subsidiaries at 31st March, 2005 are set out in note 38.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net assets	–	–
Amounts due from associates less allowances	6,151	6,142
	6,151	6,142

The amounts due from associates are unsecured and non-interest bearing. In the opinion of the directors, the amounts due from associates will not be repayable within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current assets.

As at 31st March, 2005, the Group had interest in the following significant associates:

Name of associate	Form of business structure	Place of incorporation/ establishment	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by subsidiaries	Principal activity/ place of operation
				%	
Asia Standard Development Company Limited	Incorporated	Hong Kong	HK\$2	50	Investment holding/ Hong Kong
Era Winner Limited	Incorporated	Hong Kong	HK\$2	50	Property holding/ Hong Kong



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 18. INVESTMENTS IN SECURITIES

## THE GROUP

	Investment securities		Other investments		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Equity securities						
Listed						
– Hong Kong	–	–	67,344	66,460	67,344	66,460
– Overseas	–	–	8,750	9,700	8,750	9,700
Unlisted						
– Overseas	56,360	57,360	–	–	56,360	57,360
	56,360	57,360	76,094	76,160	132,454	133,520
Debt securities						
Unlisted						
– Hong Kong	–	–	1,500	1,500	1,500	1,500
Total						
Listed						
– Hong Kong	–	–	67,344	66,460	67,344	66,460
– Overseas	–	–	8,750	9,700	8,750	9,700
Unlisted	56,360	57,360	1,500	1,500	57,860	58,860
	56,360	57,360	77,594	77,660	133,954	135,020
Market value of listed securities	–	–	76,094	76,160	76,094	76,160
Carrying amount analysed for reporting purposes as:						
Current	–	–	76,094	76,160	76,094	76,160
Non-current	56,360	57,360	1,500	1,500	57,860	58,860
	56,360	57,360	77,594	77,660	133,954	135,020

An impairment loss of approximately HK\$41,000,000 (2004: HK\$60,655,000) in respect of investment securities has been identified and charged to the income statement, which was determined with reference to the investees' financial results and operation.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

**18. INVESTMENTS IN SECURITIES** *(Continued)*

Details of the Group's investment in unlisted investment securities included above disclosed pursuant to section 129(1) of the Companies Ordinance are as follows:

<b>Name of investee</b>	<b>Place of incorporation/ operations</b>	<b>Proportion of nominal value of issued share capital/registered capital held by the subsidiaries</b>	<b>Effective proportion of issued share capital/registered capital held by the Group</b>
Info Tech Group Limited	British Virgin Islands ("BVI")/Hong Kong	25%	25%
上海南曉消防工程設備 有限公司	PRC/PRC	45%	22.95%
北京中青傳智廣告藝術 有限公司	PRC/PRC	49%	49%
Kind Ever Limited	BVI/Hong Kong	45%	45%

The above companies are not regarded as associates of the Group because the Group has no significant influence over their affairs.

**19. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES**

The amounts at 31st March, 2004 represented deposits paid for the acquisition of the entire equity interest in and the shareholders' loan to Chinese Gain Limited and Rich Linker Limited for a consideration of HK\$105 million and HK\$53 million, respectively (hereinafter collectively referred to as the "Acquisition").

As detailed in the announcement dated 14th January, 2005, pursuant to the termination agreements entered into by two wholly owned subsidiaries of the Company on the same date, the Acquisition was terminated. Accordingly, the deposits paid for the Acquisition were fully refunded during the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 20. INVENTORIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Building materials	1,336	2,280
Properties held for sale	3,180	6,555
	<b>4,516</b>	<b>8,835</b>

Included in properties held for sale amounting to HK\$3,180,000 (2004: HK\$2,300,000) were properties carried at net realisable value. The remaining inventories were carried at cost.

## 21. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to 90 days to its trade customers. Included in trade and other receivables are trade receivables of HK\$4,993,000 (2004: HK\$7,227,000) and their aged analysis is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Up to 30 days	241	1,109
31 to 90 days	354	1,277
91 day to 365 days	3,447	4,157
Over 365 days	951	684
	<b>4,993</b>	<b>7,227</b>
Amounts due from customers for renovation works ( <i>note a</i> )	2	1,495
Retentions receivable	628	405
Other receivables and prepayments ( <i>note b</i> )	128,705	132,998
	<b>134,328</b>	<b>142,125</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 21. TRADE AND OTHER RECEIVABLES (Continued)

Note:

- (a) Amounts due from (to) customers for renovation works

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Contract costs incurred plus recognised profits less recognised losses	5	2,702
Less: Progress billings	(39)	(2,072)
	(34)	630
Represented by:		
Due from customers included in current assets	2	1,495
Due to customers included in current liabilities (note 22)	(36)	(865)
	(34)	630

- (b) Included in other receivables and prepayment is an amount of approximately HK\$69,688,000 (2003: HK\$55,700,000) placed with a company, which is an independent third party, for securities trading and other investment purposes.

The amount is secured, interest free and repayable on demand.

## 22. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$1,920,000 (2004: HK\$1,658,000) and their aged analysis is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Up to 30 days	78	347
31 to 90 days	203	283
Over 90 days	1,639	1,028
	1,920	1,658
Amounts due to customers for contract work (note 21(a))	36	865
Retention payables	548	340
Other payables and accruals	82,204	80,677
	84,708	83,540

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 23. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
The borrowings comprise:				
Bank overdrafts	13,100	12,630	–	–
Import loans	1,029	154	–	–
Other bank borrowings	50,934	113,584	–	–
Other borrowings	41,765	44,189	23,643	23,643
	<b>106,828</b>	170,557	<b>23,643</b>	23,643
Analysed as:				
Secured	62,771	75,274	23,643	23,643
Unsecured	44,057	95,283	–	–
	<b>106,828</b>	170,557	<b>23,643</b>	23,643
The borrowings are repayable as follows:				
Within one year or on demand	104,491	143,680	23,643	23,643
More than one year, but not exceeding two years	304	24,544	–	–
More than two years but not exceeding five years	961	940	–	–
More than five years	1,072	1,393	–	–
	<b>106,828</b>	170,557	<b>23,643</b>	23,643
Less: Amount due within one year shown under current liabilities	(104,491)	(143,680)	(23,643)	(23,643)
Amount due after one year	<b>2,337</b>	26,877	–	–

Included in the other borrowings as at 31st March, 2005 is an amount of HK\$23,643,000 (2004: HK\$23,643,000) advanced by Asean Resources Limited (“Asean”). It bore interest at Hong Kong prime rate plus 1% and was originally unsecured and due for repayment in full in November 2002. In May 2002, Asean agreed to reschedule the repayment date until May 2004 and the amount is secured by the entire issued share capital of a wholly-owned subsidiary of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

**23. BANK AND OTHER BORROWINGS** *(Continued)*

In May 2004 and May 2005, the Company entered into supplemental agreements with Asean that the latter agreed to further extend the repayment date of the loan in the amount of HK\$23,643,000 and the respective accrued interest to November 2005. Accordingly, it is classified as a current liability.

**24. CONVERTIBLE NOTES**

**THE GROUP  
AND  
THE COMPANY**  
*HK\$'000*

At 1st April, 2004	–
Issued during the year	32,400
Converted during the year	(32,400)
	–
<b>At 31st March, 2005</b>	<b>–</b>

On 7th February, 2005, the Company issued convertible notes of HK\$32.4 million with a conversion price of HK\$0.03 per share. The convertible notes carried interest at 1% per annum and are redeemable on 6th February, 2005 unless they were previously converted or redeemed. The HK\$32.4 million convertible notes were fully converted into 1,080,000,000 ordinary shares of HK\$0.01 each in the Company during the year ended 31st March, 2005.

On 6th January, 2005, the Company entered into placing and subscription agreements with independent third parties for the placing and subscription of convertible notes with an aggregate principal amount of HK\$31.2 million (“CB Placing Agreement”) and HK\$78.0 million (“CB Subscription Agreements”), respectively, convertible into shares of the Company at an initial conversion price of HK\$0.03 each. These convertible notes will carried interest at 3% per annum and are redeemable six months from the date of issue.

The CB Placing Agreement was completed on 18th May, 2005.

On 14th July, 2005, the Company entered into cancellation agreements with the subscribers of the CB Subscription Agreements as detailed in note 37(e).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 25. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting years:

The Group	Temporary difference attributable to toll highway HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st April, 2003	46,000	1,685	(1,685)	46,000
(Credit) charge to income statement	(4,000)	(175)	175	(4,000)
Effect of change in tax rate	–	158	(158)	–
Disposal of a subsidiary	–	(1,668)	1,668	–
At 1st April, 2004	42,000	–	–	42,000
Credit to income statement	(42,000)	–	–	(42,000)
<b>At 31st March, 2005</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

At 31st March, 2005, the Group has unutilised tax losses of HK\$458,589,000 (2004: HK\$418,975,000), part of which has not yet been agreed with the Hong Kong Inland Revenue Department, available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$27,757,000 (2004: HK\$16,033,000) that will expire in five years.

At 31st March, 2005, the Group has other deductible temporary differences of HK\$115,058,000 (2004: HK\$38,731,000) in respect of allowance and impairment losses recognised. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 26. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares</b>	<b>Value HK\$'000</b>
Ordinary shares of HK\$0.01 each:			
Authorised:			
At 1st April, 2003 and 31st March, 2004 and 31st March, 2005		15,000,000,000	150,000
Issued and fully paid:			
At 1st April, 2003		3,771,445,970	37,714
Issue of shares on private placement		740,000,000	7,400
At 31st March, 2004		4,511,445,970	45,114
Exercise of convertible notes	<i>(a)</i>	1,080,000,000	10,800
Issue of shares on private placement	<i>(b)</i>	902,280,000	9,023
At 31st March, 2005		6,493,725,970	64,937

*Notes:*

- (a) The Company issued and allotted a total of 1,080,000,000 ordinary shares of HK\$0.01 each at a conversion price of HK\$0.03 per share upon the exercise of the conversion rights by the holders of the convertible notes.
- (b) On 17th November, 2004, a placing agreement was entered into between the Company and certain independent professional investor under which the investor subscribed for 902,280,000 new shares of HK\$0.01 each of the Company at a price of HK\$0.02 per share. These shares were issued under the general mandate granted to the directors of the Company on 3rd September, 2004. The issued price of HK\$0.02 represented a discount of approximately 4.76% to the closing price of HK\$0.021 on 15th November, 2004. The net proceeds of approximately HK\$17.7 million were used for general working capital of the Group.

All the ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.



**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***27. SHARE OPTION SCHEME**

On 24th April, 2002, the Company adopted a share option scheme (the "2002 Scheme") which will expire on 23rd April, 2012 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the 2002 Scheme, the board of directors of the Company may at its discretion offer to any employee, including executive directors, or consultants of the Company and/or its subsidiaries options to subscribe for shares in the Company at a consideration of HK\$1 for each lot of share options granted. Options granted should be accepted within 30 days from the date of grant.

The exercise price is determined by the directors of the Company and will not be less than the highest of (i) the closing price of the shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, or (iii) the nominal value of the Company's shares.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of shareholders' approval of the 2002 Scheme, without a prior approval from the Company's shareholders.

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other schemes, must not, in aggregate, exceed 30% of the total number of shares of the Company in issue from time to time.

An option may be exercised in accordance with the terms of the 2002 Scheme at any time after the date upon which the option is granted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2002 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors' resolution at a general meeting, the 2002 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2002 Scheme.

The maximum number of shares (issued and to be issued) in respect of which options may be granted to any eligible person in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue, unless a shareholders' approval has been obtained.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 27. SHARE OPTION SCHEME (Continued)

The following table discloses movements in the 2002 Scheme during the two years ended 31st March, 2005.

	Date of grant	Exercise price per share HK\$	Number of share options				
			Outstanding at 1.4.2003	Lapsed during the year	Outstanding at 31.3.2004	Lapsed during the year	Outstanding at 31.3.2005
<b>Category 1: Directors</b>							
Dong Bo, Frederic	2.5.2002	0.298	16,778,000	(16,778,000)	-	-	-
Lau Man Tak	2.5.2002	0.298	26,990,000	(26,990,000)	-	-	-
			43,768,000	(43,768,000)	-	-	-
<b>Category 2: Employees and consultants</b>							
Employees	2.5.2002	0.298	226,162,000	(226,162,000)	-	-	-
	19.9.2002	0.225	259,120,000	(259,120,000)	-	-	-
	9.12.2002	0.202	64,780,000	(51,824,000)	12,956,000	(12,956,000)	-
			550,062,000	(537,106,000)	12,956,000	(12,956,000)	-
			593,830,000	(580,874,000)	12,956,000	(12,956,000)	-

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 28. RESERVES

	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumu- lated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>					
At 1st April, 2003	405,984	13,878	907,760	(1,049,568)	278,054
Issue of shares	29,600	-	-	-	29,600
Shares issue expenses	(580)	-	-	-	(580)
Loss for the year	-	-	-	(63,848)	(63,848)
At 31st March, 2004	435,004	13,878	907,760	(1,113,416)	243,226
Issue of shares	30,623	-	-	-	30,623
Shares issue expenses	(293)	-	-	-	(293)
Loss for the year	-	-	-	(123,185)	(123,185)
<b>At 31st March, 2005</b>	<b>465,334</b>	<b>13,878</b>	<b>907,760</b>	<b>(1,236,601)</b>	<b>150,371</b>

The contributed surplus of the Company represents:

- (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition at the time of a previous group reorganisation;
- (ii) the cancellation of an amount of approximately HK\$48,000,000 from the share premium account of the Company and the credit of an amount of approximately HK\$610,247,000 of the Company's share capital cancelled in 2002; and
- (iii) the contribution of approximately HK\$26,719,000 from the placing of warrants in 2002 that were expired in 2003.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company had no reserves available for distribution to shareholders at 31st March, 2004 and 31st March, 2005.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 29. ACQUISITION OF SUBSIDIARIES

On 7th and 8th January, 2005, the Group acquired the entire issued share capital of Sun Concord Limited and Deluxe Ray Inc., respectively which has a respective 45% direct equity interest in Kind Ever Limited and a 15.25% direct equity interest Nice Achieve Development Limited for a total consideration of approximately HK\$40,000,000. The acquisition has been accounted for by the acquisition method of accounting.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net asset acquired:		
Investments in securities	40,000	40,000
Satisfied by:		
Cash	40,000	25,000
Receivable in respect of investment refund settled	–	15,000
	<b>40,000</b>	<b>40,000</b>

Net cash outflow arising on acquisition:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash consideration paid and net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>(40,000)</b>	<b>(25,000)</b>

The subsidiaries acquired in both years did not have significant contribution to the turnover and loss from operations of the Group for the year of acquisition.

The fair values of the assets and liabilities acquired equal to their carrying amounts immediately before the combination.

If the acquisition had been completed on 1st April, 2004, it would not have significant contribution to the turnover or loss of the Group for the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 30. DISPOSAL OF SUBSIDIARIES

During the year ended 31st March, 2004, the Group disposed of its subsidiaries, Chip Plus Development Incorporated and Glad & Nice Limited. The net assets at the date of disposals were as follows:

	2005 HK\$'000	2004 HK\$'000
Net assets disposed of:		
Investment property	–	55,000
Interests in an associate	–	9,500
Inventories	–	55
Bank balances and cash	–	650
Trade and other payables	–	(657)
Bank borrowings	–	(45,000)
	–	19,548
Investment property revaluation reserve realised	–	30
	–	19,578
Gain on disposal of subsidiaries	–	104,422
Total consideration	–	124,000
Satisfied by:		
Cash	–	30,000
Repayment of other borrowings and interest payable ( <i>note</i> )	–	94,000
	–	124,000

*Note:* Part of the consideration for the disposal of Glad & Nice Limited in the amount of HK\$94,000,000 was withheld by the purchaser for the settlement of borrowings owed by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 30. DISPOSAL OF SUBSIDIARIES (Continued)

Net cash inflow arising on disposal:

	2005 HK\$'000	2004 HK\$'000
Cash consideration	–	30,000
Bank balances and cash disposed of	–	(650)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	29,350

The subsidiaries disposed of during the year ended 31st March, 2004 contributed approximately HK\$2,240,000 to the Group's turnover and profit of approximately HK\$1,138,000 to the Group's loss from operations for that year.

## 31. MAJOR NON-CASH TRANSACTIONS

The major non-cash transactions entered into by the Group during the year ended 31st March, 2005, are as follows:

- (a) The Company issued and allotted 1,080,000,000 ordinary shares of HK\$0.01 each upon the exercise of the conversion rights by the holders of the convertible notes.

The major non-cash transactions entered into by the Group during the year ended 31st March, 2004 were as follows:

- (a) The sale proceeds of HK\$94,000,000 for the disposal of Glad & Nice Limited were directly used for partial repayment of other borrowings of HK\$85,629,000 and interest payable of HK\$8,371,000.
- (b) Receivable in respect of an investment fund of HK\$15,000,000 as at 31st March, 2003 was settled and used as part of the consideration for the acquisition of a subsidiary during the year.

## 32. CONTINGENT LIABILITIES

At 31st March, 2005, the Company had given corporate guarantees to banks and a securities broker in respect of credit facilities utilised by the subsidiaries to an extent of approximately HK\$7,650,000 (2004: HK\$7,897,000).

At the balance sheet date, the Group did not have any contingent liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

### 33. CAPITAL COMMITMENTS

At 31st March, 2005, the Group had no significant capital commitment.

At 31st March, 2004, the Group had capital commitments contracted for but not provided in the financial statements in respect of the Acquisition as detailed in note 19, amounting to approximately HK\$121,126,000.

The Company had no significant capital commitments at the balance sheet dates.

### 34. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

The Group made minimum lease payments of approximately HK\$3,030,000 (2004: HK\$4,140,000) under operating leases in respect of office premises during the year.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>THE GROUP</b>	
	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	<b>1,610</b>	2,079
In the second to fifth year inclusive	<b>173</b>	882
	<b>1,783</b>	2,961

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated and fixed for an average term of two to three years.

The Company had no outstanding commitments under non-cancellable operating leases at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 35. BANK AND OTHER FACILITIES

## THE GROUP

At the balance sheet date, the Group's bank and other facilities were secured by:

- (a) The net book value of the Group's pledged assets are as follows:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Investment properties	<b>13,750</b>	4,600
Investment in securities	<b>35,955</b>	54,398
Bank deposit	<b>5,041</b>	5,034
	<b>54,746</b>	64,032

- (b) The entire issued share capital of a wholly-owned subsidiary was also pledged to Asean to secure the Company's borrowings of HK\$23,643,000 (2004: HK\$23,643,000).
- (c) The minority shareholder of Shanghai Hualong Construction Stock Co., Ltd. ("Shanghai Hualong Construction"), a non-wholly owned subsidiary of the Company, and its affiliates had pledged certain properties and given corporate guarantee to certain banks in respect of credit facilities granted to Shanghai Hualong Construction.
- (d) The minority shareholder (also a director) and his spouse of Prosper City International Limited ("Prosper City") have pledged certain bank deposits of approximately of HK\$5 million (2004: HK\$7 million) and issued personal guarantee to an extent of HK\$5 million (2004: HK\$5 million) in respect of certain credit facilities granted to Prosper City.

## THE COMPANY

At the balance sheet date, the Company pledged HK\$5,041,000 (2004: HK\$5,000,000) to bank to secure banking facilities granted to Prosper City.



**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***36. RETIREMENT BENEFITS SCHEME**

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions at 5% of relevant payroll costs to the scheme, which contribution is matched by employees. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees in the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

**37. POST BALANCE SHEET EVENTS**

The following significant events took place subsequent to the balance sheet date:

- (a) The directors proposed to carry out the following capital reorganisation, which involved:
- every 20 shares of HK\$0.01 each will be consolidated into one share of HK\$0.20 each;
  - the nominal value of the issued shares after the consolidation will be reduced from HK\$0.20 each into HK\$0.01 each; and
  - the credit of approximately HK\$51.43 million arising from the capital reduction is to set off the accumulated loss of the Company.

The above capital reorganisation was approved by the shareholders of the Company at a special general meeting held on 6th April, 2005, details of which are set out in a circular to the shareholders of the Company dated 13th March, 2005.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2005***37. POST BALANCE SHEET EVENTS** *(Continued)*

- (b) On 6th May, 2005, the Company entered into an agreement with Asean to extend the repayment date of a loan amounting to approximately HK\$23,643,000 to 6th November, 2005.
- (c) The share subscription agreement entered into by the Company and an independent third party on 6th January, 2005 for the subscription of 530,000,000 new shares of HK\$0.01 each in the Company at HK\$0.03 per share was completed on 18th May, 2005.
- (d) The CB Placing Agreement, as detailed in note 24, was completed on 18th May, 2005.
- (e) On 14th July, 2005, the Company entered into cancellation agreements with the subscribers of the CB Subscription Agreements as detailed in note 24. Details of the CB Subscription Agreements were set out in the circular and announcements to the shareholders of the Company dated 21st February, 2005 and 14th July, 2005, respectively.
- (f) On 4th July, 2005 the Company was notified by the Hong Kong Companies Registry that the annual return of Gold United International Industries Limited ("Gold United"), a non-wholly owned subsidiary of the Company, filed in May 2005 ("May Annual Return") contained information, including members and directors of Gold United, which are incorrect and significantly different from the original annual return that are presented by the Group on 29th April, 2005.

On 13th July, 2005, the Company filed a writ against Mr. Li Jin Fang, Cheng Qing Bo, Huang Jun Tao and Wong Wai Dai (hereinafter collectively referred to as the "Defendants") seeking amongst others, seeking declarations by the court to effect that Winsky Management Limited, a wholly owned subsidiary of the Company, is the beneficial owner of 51% of the issued share capital of Gold United. The Defendants were the people which purportedly filed the false information to the Hong Kong Companies Registry and/or identified as members and directors in the May Annual Return. Gold United is an investment holding company, which has an 80% direct interest in the HZHY, which is engaged in the operation of a highway in the PRC.

Details of the above were set out in the announcement to the shareholders of the Company dated 13th July, 2005.

After taking into consideration the advice of the Group's legal counsel, the directors consider the Group has a 51% effective interest in Gold United and consider that the outcome of the proceedings will not have material adverse financial effect to the Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company#/ subsidiaries	Effective proportion of issued capital held by the Group	Principal activities
			%	%	
All Grand Limited	Hong Kong	HK\$2	100	100	Property investment
Admonentum Limited	Hong Kong	HK\$10,000	100	100	Investment holding
Captain Shore Limited	B.V.I.	US\$1	100	100	Investment holding
Deluxe Ray Inc.	B.V.I.	US\$1	100	100	Investment holding
Fairtop Limited	B.V.I.	US\$1	100	100	Investment holding
Flow Success Company Limited	Hong Kong	HK\$2	100	100	Property holding
Full Champion Financial Limited	B.V.I.	US\$3	100 #	100	Investment holding
Goldachieve Profits Limited	B.V.I.	US\$1	100 #	100	Investment holding
Gold Method Consultants Limited	B.V.I.	US\$1	100 #	100	Investment holding
Gold United International Industries Limited	Hong Kong	HK\$10,000	51	51	Investment holding
Grand Fix Limited	B.V.I.	US\$1	100	100	Investment holding
Greenham Development Limited	Hong Kong	HK\$2	100	100	Property holding
Honalary Company Limited	B.V.I.	US\$1	100	100	Investment holding

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company#/ subsidiaries	Effective proportion of issued capital held by the Group	Principal activities
			%	%	
Huey Tai Holdings Limited	Hong Kong	HK\$2	100 #	100	Investment holding
Kingdom Hall Limited	B.V.I.	US\$1	100 #	100	Investment holding
Kingdom Wealthy Limited	Hong Kong	HK\$2	100 #	100	Property holding
Longerich Investments Limited	B.V.I.	US\$1	100 #	100	Investment holding
New Plaza International Limited	Hong Kong	HK\$2	100 #	100	Property holding
New Team Limited	B.V.I.	US\$1	100	100	Investment holding
Prosper City International Limited	Hong Kong	HK\$100	51	51	Trading of building materials and provision of renovation service
Rich Lion Limited	B.V.I.	US\$1	100	100	Investment holding
Shanghai Hualong Construction	PRC	US\$11,080,000	51	51	Property development and sales
Sharpower Limited	Hong Kong	HK\$2	100 #	100	Property holding
South Gater Limited	Hong Kong	HK\$2	100	100	Property holding
Sun Concord Limited	B.V.I.	US\$1	100	100	Investment holding

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company#/ subsidiaries	Effective proportion of issued capital held by the Group	Principal activities
			%	%	
Super Target Limited	B.V.I.	US\$1	100 #	100	Investment holding
View Century Limited	B.V.I.	US\$1	100 #	100	Investment holding
Weth Development Limited	Hong Kong	HK\$2	100	100	Investment holding
杭州恆運交通開發有限公司	PRC	RMB3,745,000	80	40.8	Operating of highway

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.